

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²¹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41004; File No. SR-MBSCC-93-03]

Self-Regulatory Organizations; MBS Clearing Corporation; Order Granting Approval of a Proposed Rule Change Increasing the Number of Directors

January 29, 1999.

On November 5, 1998, MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MBSCC-98-03) pursuant to Section 19(b)(1) of the Securities and Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on November 30, 1998.² For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change amends Article 3, Section 3.1 of MBSCC's By-laws to increase the number of directors on its board from thirteen to fifteen.³ Currently, MBSCC has thirteen directors divided into three classes. Classes I and II each consist of four directors, and Class III consists of five directors. Under the rule change, each class will now consist of five directors.

MBSCC's shareholders agreement provides that one director represents management, one director represents the National Securities Clearing Corporation, and the remaining directors represent MBSCC's participants. Under the rule change, the two additional directors will represent MBSCC's participants.

II. Discussion

Section 17A(b)(3)(C)⁴ provides that the rules of a clearing agency must provide for the fair representation of its shareholders or members and participants in the selection of directors. The Commission believes that the increase in the size of MBSCC's board

is consistent with the Act's fair representation requirements because the addition of two directors will increase the opportunity for participants to be represented on MBSCC's board and should allow the board to more accurately reflect its membership.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. MBSCC-98-03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40992; File No. SR-NASD-98-94]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Adjudication of Clearly Erroneous Transactions

January 28, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 18, 1998, the National Association of Securities Dealers, Inc. ("NASD"), through its wholly-owned regulatory subsidiary, NASD Regulation, Inc. ("NASD Regulation"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by NASD Regulation. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD Regulation is proposing to amend NASD Rule 11890 ("Rule") to

conform the time frame for requesting a clearly erroneous adjudication for pre-opening transactions to the 30-minute time frame that applies to trades that occur after 10:00 a.m. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in *brackets*.

11890. Clearly Erroneous Transactions

- (a) No Change
- (b) Procedures for Reviewing Transactions

(1) Any member or person associated with a member that seeks to have a transaction reviewed pursuant to paragraph (a) hereof, shall submit a written complaint, via facsimile or otherwise, to Nasdaq Market Operations in accordance with the following time parameters:

(A) For transactions occurring *at or after 9:30 a.m., Eastern Time*, but prior to 10:00 a.m., Eastern Time, complaints must be submitted by 10:30 a.m., Eastern Time; and

(B) For transactions occurring [on] *prior to 9:30 a.m., Eastern Time and those occurring at or after 10:00 a.m., Eastern Time*, complaints must be submitted within thirty minutes.

* * * * *

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD Regulation included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD Regulation has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Rule sets forth the process through which The Nasdaq Stock Market, Inc. ("Nasdaq") may review certain transactions and declare them null and void or otherwise modify their terms. In early 1998, the Commission approved changes to the rule to make this process more efficient and fair ("Amendments").³ Among other things, the rule was amended to shorten the

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities and Exchange Act Release No. 34-40702 (November 23, 1998) 63 FR 65831.

³ Article 3, Section 3.1 governs the number, election, and term of office of directors.

⁴ 15 U.S.C. 78q-1(b)(3)(C).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 39550 (January 14, 1998), 63 FR 4333 (January 28, 1998) (approving SR-NASD-96-51).